



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
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DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 898

TO: All Iowa Medicaid-Certified Nursing Facilities
FROM: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)
DATE: April 20, 2010
SUBJECT: Legislation Impacting Nursing Facility Rates

The purpose of this Informational Letter is to provide nursing facilities with information regarding changes that will affect Medicaid payment rates. Due to the recent approval from the federal Centers for Medicare and Medicaid Services (CMS) of the Nursing Facility Quality Assurance Assessment Fee and changes during the 2010 legislative session, all facilities will have rates adjusted for the periods beginning December 1, 2009 and January 1, 2010. Facilities that received an exception to policy for the Geographic Wage Index will have rates adjusted for the periods beginning July 1, 2009; October 1, 2009; December 1, 2009, and January 1, 2010. Please see below for further details regarding the changes in nursing facility rates.

Senate File (SF) 476 - Nursing Facility Quality Assurance Assessment Program

This legislation, authorized during the 2009 legislative session, directed the Department of Human Services (DHS) to implement a nursing facility quality assurance assessment program, also known as a nursing facility provider tax. In March 2010, DHS received approval from CMS to implement the quality assurance assessment program effective April 1, 2010.

Overview of assessment fee (tax) structure

- The quality assurance fee is assessed on a per non-Medicare patient day basis. Therefore the amount of the fee paid by each nursing facility varies based on the number of non-Medicare patient days.
- All nursing facilities are assessed the same fee of \$5.26 per non-Medicare patient day except for the following exceptions:
 - Nursing facilities with licensed beds less than or equal to 50 are assessed \$1.00 per non-Medicare patient day.
 - Nursing facilities designated as a continuing care retirement center (CCRC) per Iowa Insurance Division are assessed \$1.00 per non-Medicare patient day.
 - Nursing facilities with annual Medicaid patient days of 26,500 or greater are assessed \$1.00 per non-Medicare patient day.
 - Distinct part skilled nursing unit or a swing-bed unit operated by a hospital are not assessed a fee.
 - State-owned and non-state government owned nursing facilities are not assessed a fee.
- Legislation requires that any quality assurance assessment pass-through and rate add-on payments to nursing facilities in excess of the actual cost of the total assessment fees paid by the nursing facility be used by nursing facilities to increase compensation and costs of employment for direct care workers and other nursing facility staff.

What does this mean to your facility?

- Effective April 1, 2010 your nursing facility per diem will include two add-ons:
 - A quality assurance assessment pass-through. This add-on is either \$1.00 or \$5.26 per day based on the per day assessment fee that is paid by your facility as described above.
 - A quality assurance assessment rate add-on. This rate add-on is \$10.00 per day for all nursing facilities including Medicare certified hospital-based nursing facilities providing only skilled care.
- Effective April 1, 2010 your nursing facility will be assessed a per day assessment fee to be paid to DHS on a quarterly basis, due no later than thirty days following the end of each calendar quarter. Therefore, the first assessment amount is due by July 31, 2010. Form 470-4836, *NF QA Assessment Calculation Worksheet*, is the form facilities will use to calculate how much is owed. This form is currently being developed. Once finalized, all nursing facilities will be notified via an informational letter which will include instructions on how to complete and where to send the assessment fees due each quarter.

Senate File 2366 – Modification to Executive Order 19 on Nursing Facility Reimbursement

This legislation provides restoration to a portion of the reductions that were made pursuant to the Governor's Executive Order 19. This legislation also modifies the amount of funding available to nursing facilities for major renovations and replacements authorized by 2007 Iowa Acts, House File 911 (HF 911). The rate restorations are retroactively effective December 1, 2009. The funding of HF 911 is reduced. Therefore, the nursing facility rates effective December 1, 2009, and January 1, 2010 (which were already released) will be recalculated based on the provisions of SF 2366. The revised rates will be issued in May 2010, and a mass adjustment will be completed by the IME to reprice claims at the new rates. The April 1, 2010, rates that will be issued in April will include the provisions outlined in SF 2366. Following is a summary of changes authorized by SF 2366:

- Suspends the NF pay-for-performance (P4P) program payments. No payments will be made for State Fiscal Year (SFY) 2010, which were scheduled to be paid out in August 2010. As there is no funding for the program in SFY 2010, DHS will not require P4P program reporting, which would have been due by May 1, 2010. However, reporting for SFY 2011 will be due by May 1, 2011 for facilities who want to be considered for the P4P program, should funding become available for the program next year.
- Reinstates the minimum occupancy percentage back to 85% effective December 1, 2009.
- Modifies the percentage of decrease of the inflation factor used in calculating reimbursement rates. The percentage of decrease changes from 5% to 3% effective December 1, 2009.
- Modifies the payment for reserve bed hold days. Executive Order 19 changed the payment level for hospital leave days only. SF 2366 eliminates all payments of bed hold days for both hospital leave and therapeutic leave. This change is retroactively effective December 1, 2009. The IME will identify bed hold payments that have been paid for dates of service beginning December 1, 2009 and price these at \$0 during the mass adjustment process for the other provisions of SF 2366.
- The total funding available to DHS to be paid to nursing facilities that qualify for additional funding for major renovations or replacements was reduced from \$1.6 million to \$200,000 to be used for

payments effective July 1, 2007 through the time in which the \$200,000 will be expended. Therefore, when the \$200,000 has been expended, all HF 911 payments shall be suspended until further funding is appropriated. The Department is in the process of determining the point in time in which the \$200,000 will be or has been expended. At this time any requests for HF 911 payments submitted to the IME are pending until it is determined whether funding is available. Nursing facilities will be notified as soon as a decision has been made.

House File 2526 –Nursing Facility Reimbursement effective July 1, 2010

This legislation makes additional changes to the nursing facility reimbursement methodology by further restoring the reductions that were made pursuant to Executive Order 19. It also continues some of the provisions authorized in SF 2366. Additional information regarding timing of the July 1, 2010, rate letters will be provided to nursing facilities at a later date. The following provides a summary of the reimbursement changes authorized in HF 2526:

- The NF pay-for-performance payments for SFY 2011 (July 1, 2010 through June 30, 2011) will continue to be suspended as funding was not appropriated. Reporting will be due by May 1, 2011 for facilities who want to be considered for the program, should funding become available.
- The minimum occupancy percentage will continue at 85%.
- Payments for reserve of bed hold days for both hospital leave and therapeutic leave will continue to be eliminated.
- The 5% decrease in the inflation factor used in calculating reimbursement rates in accordance with Executive Order 19 will be completely restored effective July 1, 2010.

Geographic Wage Index Exceptions

There have been several exceptions to policy approved by DHS to the geographic wage index. Revised rates have been updated in the claims processing system. However, the claims have not yet been mass adjusted to reprice claims due to the exceptions as it was expected there would be other adjustments needed with pending legislation affecting reimbursement rates for nursing facilities. Rates will be restated with the geographic wage index exception and the provisions of SF 2366. Mass adjustments for geographic wage index exceptions will be completed in May 2010, at the same time claims are being adjusted to implement the provisions authorized by SF 2366.

Summary

1. Rate worksheets effective April 1, 2010, will not be released by April 15, 2010, as usual, but will be mailed to facilities no later than April 30, 2010. The April 1, 2010, rates will include reimbursement methodology changes to implement the provisions authorized in SF 476 and SF 2366.
2. The Department will reissue the December 1, 2009 and January 1, 2010 rate worksheets to include the changes authorized in SF 2366. Rate worksheets will be mailed to nursing facilities no later than May 21, 2010. A mass adjustment to reprice claims for December 2009 through March 2010, will be completed the week of May 24th with payment on Monday, May 31, 2010.

3. The Department will reissue the July 1, 2009; October 1, 2009; December 1, 2009 and January 1, 2010 rate worksheets to include the changes approved from the Geographic Wage Index exceptions to policy for those facilities who received an exception. A mass adjustment to reprice claims for these rate periods will be completed the week of May 24th with payment on Monday, May 31, 2010.
4. The first nursing facility assessment fee will be due to the Department no later than July 31, 2010. Further information, along with form 470-4836, *NF QA Assessment Calculation Worksheet* and instructions will be mailed to all nursing facilities as soon as it has been approved.
5. Nursing facilities will be notified as soon as determinations have been made on the following items:
 - Update on HF 911 payments including the point in time in which the \$200,000 will be or has been expended.
 - Rate letter information for the July 1, 2010 rate period.

Questions? The IME appreciates your partnership as we work together to serve the needs of Iowa Medicaid members. If you have any questions regarding the information included in this informational letter, please contact the IME Provider Cost Audit and Rate Setting Unit at (515) 256-4610 (locally) or (866) 863-8610 or via email at costaudit@dhs.state.ia.us.